SCHEDULE A

AN ANNUAL BUDGET AND SUPPORTING DOCUMENTATION

FINAL ANNUAL BUDGET OF

MBHASHE LOCAL MUNICIPALITY

2019/20 TO 2021/22

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS (MTREF)

Part 1 – Annual Budget

1.1 Executive Mayor's Report

In his State of the Nation Address the President of the Republic the Honourable Mr. Matamela Cyril Ramaphosa recommitted the country to economic growth, job creation, clean government and infrastructure development. He further committed his government to realize the National Development Plan objectives. He further reiterated the commencement of the new dawn and the fourth industrial revolution. The use of ITC to advance development is key to the success of our country. He further reiterated the pursuit of inclusive growth and social development through enhanced technology.

Premier of the Eastern Cape said in his State of the Province address indicated that, "Our success moving into the new term of government will be determined by the active participation and involvement of citizens of this Province in the programs of government. We cannot be spectators in the struggle for our own emancipation". The municipality must do everything in its power to spearhead mechanisms to address service delivery backlogs.

Mbhashe Local Municipality is one of the areas with high unemployment and illiteracy rate in the Amathole area of jurisdiction. The municipality is predominantly rural with high levels of poverty. Higher unemployment and poverty lead to an increased demand for municipal services, however the municipality is committed in reducing the high levels of unemployment and poverty. The municipality is also facing a burden of huge infrastructure backlogs. In terms of the financial resources the municipality is largely depended on grant funding, which constitutes 92% of our total budget and the remaining 8% being own revenue. Therefore the municipality has a relatively small tax base and it is critical that the municipality reviews its Revenue Enhancement Strategy so as to expand its revenue sources.

In the past couple of years the world economy has gone through its deepest recession with the country being downgraded in junk status by the rating agencies. Economists have already cautioned of a recession, but of course that is still under speculation. Mbhashe Local Municipality is no way immune to the harsh economic realities associated with the recession and the downgrading, therefore we must be very conservative in utilizing our limited resources.
The municipality has undergone some tough economic conditions in the previous financial years, among the impacts are the serious cash flow challenges that were experienced by the municipality during the 2017/18 financial year. However, the municipality was able to recover from that situation. We had to implement some innovative mechanisms in order to overcome our financial challenges ranging from having engagement sessions with our property owners to offering them settlement discounts and making arrangements. This has yielded positive results as businesses, government department and other residents have stated settling their accounts. This has improved our collection rate.

Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms. In this IDP and Budget the municipality emphasizesl that, we need to utilize our limited resources efficiently and effectively. We are now entering our 4th year of the five year IDP that was approved in 2016/17 to end in 2022. The preparation of this budget has taken into account the guidance of Circular 93 and 94. We have observed that the municipality is struggling in terms of generating revenue from its own revenue sources.

A major contributing factor was the declining collection rate coupled with historic poor expenditure patterns and a general lack of doing business smarter and accelerating service delivery. The key focus areas for the 2019/20 budget process have been the grants allocations, continued compliance with the Municipal Standard Charts of Accounts (*m*SCOA) and training of municipal officials on the *m*SCOA. The municipality has now fully implemented *m*SCOA starting from budgeting up to reporting. *m*SCOA has also assisted the municipality in terms of improved planning and managing its financial resources.

A total budget of R373m for 2019/20 has been adopted by council and it is with great comfort to reaffirm that the municipality has a funded budget. The 2019/20 financial year is the fourth year of the Fourth Generation of the IDP. The adherence to the IDP and Budget Process Plan has resulted in the adoption of the reviewed IDP and Budget together with the budget related policies. We are clear of the local government mandate as per the Constitution and we have made a political and administrative decision to ensure that we move the municipality from one level to the next.

In implementing this 2019/20 budget it is pivotal for the executive to exercise its oversight role through monitoring and evaluation. The executive must monitor and evaluate the work done by the administration and hold them accountable where necessary. This will ensure that the municipality delivers on its core function, which is service delivery, but to say the least there was great improvement during the 2018/19 financial year, but there is still room for more improvement. In responding to the infrastructure backlog, the municipality has allocated R74m to towards infrastructure development and this is largely funded by the Municipal Infrastructure Grant. In addition the municipality will utilize its plant machinery for roads maintenance, which is also a huge cry from our communities.

The personnel budget of the municipality constitutes 39% the operational budget and this within the recommend norm of up to 40% as set out by National Treasury guidelines. As way of creating sustainable jobs and implementing the projects as set out in the IDP, the municipality is in the process of filling all vacancies that exist in our organogram in the next two years. For personnel cost we have budgeted an amount of R146m for the 2019/20 financial year. With this budget the municipality will ensure that its employees are empowered and capacitated in order to implement programs of the council.

In order for all this to succeed, the executive must ensure that there is stability both politically and administratively within the municipality. We have a functional council and it needs to improve its oversight and accountability. We have oversight committees that are doing well like Audit Committee, Performance Audit Committee and Municipal Public Accounts Committee. These committees should always be critical and provide informed advices to Council for better decision-making.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within Mbhashe Municipality.

I thank you

1.2 Budget Resolutions

On the 29 May 2019 the Council of Mbhashe Local Municipality met to approve the Final annual budget of the municipality for the financial year 2019/20. The Council approved and adopted the following resolutions:

1. The Council of Mbhashe Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

    1.1. The annual budget of the municipality for the financial year 2019/20 and the multi-year and single-year capital appropriations as set out in the following tables:
        1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)
        1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
        1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)
        1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source

    1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
        1.2.1. Budgeted Financial Position
        1.2.2. Budgeted Cash Flows
        1.2.3. Cash backed reserves and accumulated surplus reconciliation
        1.2.4. Asset management
        1.2.5. Basic service delivery measurement

2. The Council of Mbhashe Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the Final tariffs for 2019/20.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipality's budget is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Mbhashe municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items as outline in circular 70.

The municipality has embarked on the implementation of data cleansing report which include management of municipal leases, writing off of long outstanding and untraceable balances and implement credit control and debt collection policy. The municipality has reviewed its revenue enhancement strategy with the aim of give rise to additional sources of revenue and to grow its own revenue base. The municipality is in the final stages of opening its Vehicle Registration Authority and it is expected that this function will add to the municipality's own revenue sources.

In ensuring that the municipality remains financially viable, the municipality prepared and maintained credible cash flow projections. In addition the municipality is currently engaging its property owners and offering them settlement discounts. The response from the business owner and some property owners has been positive. With regards to government we are currently engaging them during the arrear debt sessions held by COGTA and this has also yielded positive results and some of the government departments have cleared their current balances.

The municipality has received additional funding in the form of the following grants:

- DEDEAT Grant (To enhance the EPWP programme)
- Municipal Emergency Housing Grant

These are conditional grants that the municipality plans to spend in accordance with the stipulated regulations.

National Treasury's MFMA Circular No. 54, 55, 58, 59, 64, 66, 67, 70, 72, 85, 86, 89,91, 93 and 94 were used to guide the compilation of the 2019/20 to 2021/22 MTREF.

The main challenges experienced during the compilation of the 2019/20 to 2021/22 MTREF can be summarised as follows:

- The ongoing difficulties in the economy;
- Reduction in MIG conditional grant;
- Reduction in proceeds generated from the plant machinery;
- Aging and poorly maintained infrastructure resulting in maintenance backlog;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Increase in debtors book as a result of non-payment by rate payers;
- Discrepancies between the General Valuation roll and billing system;
- Delays in compiling the General Valuation roll resulting in the municipality requesting an extension from MEC for implementation;
- Lack of resources to fund infrastructure backlog
- *m*SCOA implementation and challenges within the budgeting module;
- Cutting down own revenue sources due to poor performance in the current year 2018/19

The following budget principles and guidelines directly informed the compilation of the 2019/20 MTREF:

- As per MFMA circular 85, when determining an annual tariff need to consider thee input costs of trading services, the financial sustainability considering that 92% of the budget is from grants, local economic conditions and affordability including the municipal indigent policy.
- Considered the level of services versus the associated cost (affordability).
- Revised spending plans and reprioritizes funds to ensure key objectives are achieved and well-performing programs are supported.
- Ensured that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritization of expenditure relating to core infrastructure continue to inform the planning framework of all municipalities as indicated in circular 72.

Table 1 Overview of the 2019/20 MTREF

BUDGET SUMMARY 2019/20			
	BUDGET YEAR 2019-20	**BUDGET YEAR 2020-21**	**BUDGET YEAR 2021-22**
TOTAL REVENUE	373,341,162	377,005,000	397,174,750
TOTAL OPERATING EXPENDITURE	299,040,500	296,497,042	318,219,095
CAPITAL EXPENDITURE	74,300,662	80,507,958	78,955,655
NON-CASH ITEMS	**56,200,000**	**59,010,000**	**61,960,500**

The total revenue is made up of grants and subsidies which is 92% and own revenue which is 8% and made up of income derived from our tariffs. Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of Mbhashe Municipality.

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The expenditure listed above is fully funded from the above mentioned sources of revenue. The municipality plans to fill all the vacant position during the 2019/20 financial. This was delayed by the job evaluation process which is almost concluded.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

Below is the summary of the 18/19 MTREF: Table A1

Choose name from list - Table A1 Budget Summary

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Financial Performance										
Property rates	–	9,694	10,164	5,700	5,700	5,700	5,700	8,000	8,400	8,820
Service charges	–	357	651	1,300	1,300	1,300	1,300	1,000	1,050	1,103
Investment revenue	–	2,497	102	3,000	3,000	3,000	3,000	3,500	3,675	3,859
Transfers recognised - operational	–	221,419	241,123	241,122	241,622	241,622	241,622	281,729	280,619	294,360
Other own revenue	–	12,490	16,702	23,850	25,850	25,850	25,850	19,120	19,950	20,948
Total Revenue (excluding capital transfers and contributions)	–	246,456	268,742	274,972	277,472	277,472	277,472	313,349	313,694	329,089
Employee costs	–	142,483	115,358	107,640	107,640	107,640	107,640	128,507	125,849	134,647
Remuneration of councillors	–	5,294	–	24,668	24,668	24,668	24,668	26,823	28,164	28,700
Depreciation & asset impairment	–	57,218	36,358	70,000	70,000	70,000	70,000	55,000	57,750	60,638
Finance charges	–	1,413	–	–	–	–	–	–	–	–
Materials and bulk purchases	–	–	–	–	–	–	–	–	–	–
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	–	83,391	104,978	141,639	143,889	143,889	143,889	135,910	309,174	133,583
Total Expenditure	–	289,800	256,693	343,946	346,196	346,196	346,196	346,240	520,937	357,568
Surplus/(Deficit)	–	(43,344)	12,048	(68,974)	(68,724)	(68,724)	(68,724)	(32,891)	(207,243)	(28,479)
Transfers and subsidies - capital (monetary allocations) (Na	–	76,286	79,596	70,192	70,192	70,192	70,192	59,992	63,311	68,086
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	–	32,942	91,644	1,218	1,468	1,468	1,468	27,101	(143,932)	39,607
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	–	32,942	91,644	1,218	1,468	1,468	1,468	27,101	(143,932)	39,607
Capital expenditure & funds sources										
Capital expenditure	–	859,382	57,009	72,228	72,478	72,478	72,478	74,301	80,508	78,956
Transfers recognised - capital	–	33,325	52,135	65,648	65,598	65,598	65,598	57,135	60,683	60,369
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	(10,943)	4,874	6,580	6,880	6,880	6,880	17,165	19,825	18,587
Total sources of capital funds	–	22,381	57,009	72,228	72,478	72,478	72,478	74,301	80,508	78,956
Financial position										
Total current assets	–	40,263	40,758	111,474	111,474	111,474	89,899	34,048	37,260	39,123
Total non current assets	–	636,312	20,651	192,672	121,912	121,912	72,478	674,118	710,316	740,180
Total current liabilities	–	161,129	30,428	52,710	–	–	–	13,517	14,193	14,902
Total non current liabilities	–	–	–	–	–	–	–	13,672	14,356	15,074
Community wealth/Equity	–	578,549	–	108,198	231,918	231,918	–	653,876	862,959	709,719
Cash flows										
Net cash from (used) operating	–	89,004	125,430	72,228	72,478	72,478	72,478	83,301	(84,922)	101,568
Net cash from (used) investing	–	859,382	57,009	72,228	72,478	72,478	72,478	(74,301)	(80,508)	(78,956)
Net cash from (used) financing	–	–	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	–	948,386	182,438	144,456	144,956	144,956	144,956	9,000	(156,430)	(133,818)
Cash backing/surplus reconciliation										
Cash and investments available	–	8,665	21,133	105,250	105,250	105,250	83,676	26,249	28,834	30,276
Application of cash and investments	–	87,726	12,704	9,527	(6,223)	(6,223)	(6,223)	(4,682)	(5,153)	(5,411)
Balance - surplus (shortfall)	–	(79,061)	8,429	95,723	111,473	111,473	89,899	30,931	33,987	35,687
Asset management										
Asset register summary (WDV)	–	543,682	(34,819)	72,040	71,690	71,690	71,690	567,201	595,970	625,483
Depreciation	–	–	1	57,218	–	–	–	–	70,000	70,000
Renewal and Upgrading of Existing Assets	–	681,440	29,127	32,377	32,377	32,377	32,377	33,996	35,695	37,591
Repairs and Maintenance	–	967	125	1,090	840	840	840	1,065	1,609	359
Free services										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	–	–	–	–	–	–	–	–	–	–
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–	–

The municipality's expenditure framework for the 2019/20 budget and MTREF is informed by the following:

- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the infrastructure backlog;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no plan no funding allocation can be made.
- The current agreement with the unions in terms of collective bargaining has used to inform the municipality's remuneration of employees.

Part 2 – Supporting Documentation

1.4 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Executive Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Executive Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of all the MAYCO members, Municipal Manager, Directors and senior officials of the municipality.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- The various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

1.4.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2018) a time schedule that sets out the process to revise the IDP and prepare the budget.

Budget templates reflecting the actual figures, forecast expenditure for the year were distributed for population of the line item details, at meetings held with HOD's and the budget office. Departments were also given guidelines funding as well as the expenditure levels.

After all that, the budget was considered by the Budget Technical Team which consists of all directors, section heads of various departments, project managers and union representatives, where areas of possible cuts were assessed. The main objective of the Budget Task Team is to ensure that the budget is maintained within the affordability levels, taking the IDP deliverables into account and inputs from the consultation process.

The Executive Mayor tabled in Council the required the IDP and budget time schedule in August 2018. Key dates applicable to the process were:

CTIVITY:JULY 2018 – JUNE 2019 Preparation phase / Pre-planning				
IDP	**PMS**	**BUDGET**	**DATE**	
Compilation of Draft IDP, PMS and Budget Process Plan Commences			01/07/2018	Senior Manager Operations
	Development of Performance Agreements for S56 Managers		01-31/07/2018	Senior Manager Operations
	Draft Annual Report Working Session		14/07/2018	Senior Manager Operations
	Submission of Performance reports and performance information Q4 to Internal Audit		19/07/2018	Municipal Manager
		Budget Steering Committee to discuss rollovers, savings declarations and new applications	30/07/2018	CFO
	Submission Performance Agreements for S56 Managers to Provincial Treasury	Submit to National Treasury the following documents: Quarterly budget returns, Budget locking certificate, SDBIP for 2018/19,Grants Reports as per approved NT template, Section 66 report Section 52(d) report, Quarter 4 SCM report for 2017/18	31/07/2018	Senior Manager Operations CFO
AUGUST 2018				
IDP Steering Committee Meeting - to discuss and finalize Draft IDP, PMS and Budget Process Plan 2019-20 and Draft Annual Report			13/08/2018	Municipal Manager
IDP, PMS and Budget Representative Forum to			16/08/2018	Portfolio Heads

present draft IDP, PMS and Budget Process Plan 2019/20, PMS Framework and Annual Performance				
Tabling to MAYCO of the Draft 2019/20 Process plan, 2017/18 Draft Annual Report and Annual Performance Report		Annual Financial Statements to MAYCO	20/08/2018	Municipal Manager
Council Meeting - Adoption of the IDP/Budget Process Plan	Adoption of Draft Annual Report	Annual Financial Statements and Annual Performance Assessment Information Report & Draft Annual Report submitted to Auditor General Submission of Conditional Grants Unspent Rollover Application	30/08/2018	Executive Mayor
SEPTEMBER 2018				
Review of Situational Analysis			01-30/ 09/2018	Senior Manager: Operations
Advertise IDP/Budget/PMS Process Plan on local newspaper			03/09/2018	Senior Manager: Operations
Submission of draft Annual Report to MPAC for verification			06/09/2018	Senior Manager: Operations
Submission of IDP/Budget/ PMS Process Plan to ADM, COGTA			07/09/2018	Senior Manager: Operations
IGR Clusters			11.12,13/09/2018	Portfolio Heads
IGR Forum			26/09/2018	Executive Mayor
ADM IDP/Budget/PMS Rep Forum			27/09/2018	Executive Mayor, ID Practitioners
Submission of personnel request forms			28/09/2018	HODs
OCTOBER 2018				
IDP/Budget/PMS Steering Committee Meeting – Directorate Situational			08/10/2018	Municipal Manager

Analysis review, Executive Mayoral Imbizos				
	Audit Committee Meeting - Presentation of the Draft Annual report, AG audit status Q1 Performance report		09/10/2018	Municipal Manager
Mayoral Imbizo - Roadshows			23,24,25/10/2018	
		Special Council meeting - Tabling of Section 52 Financial performance report Submission of Quarterly budget returns	30/10/2018	Executive Mayor
MPAC Roadshows on Draft Annual Report			31/10/2018	MPAC Chairperson
NOVEMBER 2018				
MPAC Roadshows on Draft Annual Report			/01,02/11/2018	MPAC Chairperson
		Budget Steering Committee Directorate submission of budget requests	05/11/2018	HODs
IGR Clusters			12,13,14/11/2018	Portfolio eads
	Finalisation of assessment of Annual Report by MPAC		13/11/2018	Municipal Manager
IDP/ Budget Rep Forum - presentation of the draft situational and needs analysis			21,22,23/11/2018	Senior Manager Operations
ADM IDP/ Budget Rep Forum - presentation of the draft situational and needs analysis			22/11/2018	Executive Mayor, IDP Practitioners
DECEMBER 2018				
Departmental Strategic Planning			04,05,06/12/2018	HODs
IGR Forum			11/12/2018	
	Council Meeting – Tabling of audited Annual Report and Financial Sttements Adoption of Oversight Report		12/12/2018	Executive Executive Mayor

	Publication of the oversight report		14/12/2018	Senior Manager Operations
JANUARY 2019				
		Budget Steering Committee	09/01/2019	Executive Mayor
Technical Strategic Session Refinement of Objectives, Strategies and Municipal priorities		compile and finalize Mid-year report, adjustment budget and Revised SDBIP	14,15,16/01/2019	Municipal Manager
	Performance Audit Committee - Q2 performance reports and mid-term performance reports		17/01/2019	Municipal Manager
	Submission of performance information, Q2 – mid-term performance reports to Audit Committee		17/01/2019	Municipal Manager
FEBRUARY 2019				
IDP/PMS/Budget Steering Committee - Reviewal of the strategies and objectives, setting up new objectives, strategies based on new priorities and budget adjustment			04/02/2019	Municipal Manager
Institutional Strategic Sessions - Reviewal of the strategies and objectives, setting up new objectives, strategies based on new priorities and budget adjustment			05,06,07-/02/2019	Executive Executive Mayor
IGR Clusters Forum Draft Strategies and objectives and programs, Presentation of project plans from Sector Departments			19,20,21/02/2019	Portfolio Heads
ADM IDP/Budget/PMS Rep Forum			22/02/2019	Executive Mayor, Municipal Manager
IGR Forum			28/02/2019	Executive Mayor
MARCH 2019				
		Budget Steering Committee – discussions on Budget adjustment	08/03/2019	Executive Mayor
		Mid-year budget and performance assessments visit	03/2019	CFO

		by Provincial Treasury		
IDP/Budget/PMS Rep Forum - Presentation of Reviewed Draft IDP 2017-2022			05,06,08/03/2019	Executive Mayor
ADM IDP/Budget/PMS Rep Forum - Presentation of Reviewed Draft IDP 2019-2020 for adoption			14/03/2019	Executive Mayor
Ordinary Council Meeting – Tabling of Reviewed Draft IDP and Budget 2019-2020, Draft Procurement Plan, Tariffs, policies for approval and Organizational Structure		Table Q3 performance report including financial performance analysis report to Council	27/03/2019	Executive Mayor
MARCH 2019				
Advertisement of the draft reviewed IDP and Budget Submission of Reviewed IDP document and Budget, to ADM, Provincial and National Treasury and the MEC for Local Government and Traditional Affairs			04-12/04/2019	Senior Manager Operations
IDP/Budget Roadshows - Public Comments Phase presentation of the Draft IDP and Budget to the communities for comments			09 12/04/2019	Executive Mayor
	Submission of Performance reports and performance information of the Q3 to Strategic		07/04/2019	Senior Manager Operations
IGR Clusters			23,24,25/04/2019	Portfolio Heads
	Submission of Performance reports and performance information of the Q3 to Special Council	Tabling of Section 52(d) report	30/04/2019	Executive Mayor
MAY 2019				
IDP/Budget/PMS Steering Committee – adjustments to the Draft IDP and Budget			06/05/2019	Senior Manager: Operations

considering inputs from the public				
IGR Forum			09/05/2019	Executive Mayor
ADM IDP/Budget/PMS Rep Forum			17/05/2019	Executive Mayor, IDP Practitioners
Technical Session, finalization of the SDBIP			27,28,/05/2019	Senior Manager: Operations
Tabling of final Draft IDP and Budget to Ordinary Council Meeting			29/05/2019	Executive Mayor
ADM IGR			31/05/2019	Executive Mayor, Municipaal Manager
JUNE 2019				
		MTREF Budget, budget related policies, published on council website	03-05/06/2019	CFO and Senior Manager Operations
Advertisement of Final IDP, Budget and Tariffs			07/06/2019	Senior Manager Operations and CFO
	Submission of Draft SDBIP to EXECUTIVE Executive Mayor for Approval		13/06/2019	Municipal Manager
Facilitate printing of the IDP for 2019-20			24/06/2019	Senior Manager Operations and CFO
	SDBIP advertised and submitted to Provincial and National Treasury & MEC for COGTA, AG & ADM		24/06/2019	Municipal Manager

1.4.2 IDP and Service Delivery and Budget Implementation Plan

Mbhashe municipal IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

The IDP has been taken into a business and financial planning process leading up to the 2019/20 MTREF, based on the approved 2018/19 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2019/20 MTREF, each department had to review the planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2018/19 Departmental Service Delivery and Budget Implementation Plan. Planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.4.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2019/20 MTREF, the following key factors and planning strategies were undertaken to ensure affordability and financial sustainability:

- Policy priorities and strategic objectives
- Asset management
- Economic situation (i.e. inflation and debt)
- Performance trends
- The approved 2018/19, adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Budget Circulars has been taken into consideration in the planning and prioritisation process.

1.4.4 Community Consultation

The draft 2019/20 MTREF as tabled before Council on 29 March 2019 for community consultation was published on the newspaper, and hard copies were made available at all the unit offices and libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury and provincial treasury, and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Councillors Ward Committees were utilised to facilitate the community consultation process. The applicable dates and venues were published in the local newspapers The consultation processes, including the specific targeting of ratepayer associations, sessions were scheduled with organised business. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2019/20 MTREF. Feedback and responses to the submissions received are available on request.

1.5 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term

development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to Mbhashe, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Mbhashe strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and Mbhashe response to these requirements.

The review of the IDP focuses of the infrastructure backlog of the whole Mbhashe area and also the prioritised as identified by the communities in all wards. The budget has been prepared in accordance with the IDP focusing on five national key performance areas, which are:

- Municipal transformation and development
- Service delivery and infrastructure development
- Local economic development
- Financial sustainability and viability
- Good governance and public participation

The abovementioned strategic focus areas informed the preparation of the budget and SDBIP with measurable performance indicators and targets.

After the tabling of the draft budget, a series of meetings was held throughout the municipal area to consult with the public representatives, civil society, business, labour and other government departments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings was referred to a management and EXCO to find a way of attending to all the issues. Some has financial implications and some not.

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IDP is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality. The municipality has also aligned its budget and IDP in line with the National, provincial and district.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

In order to ensure integrated and focused service delivery between all spheres of government it was important for Mbhashe municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and good governance.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national, provincial and district priorities.

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for Mbhashe municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of this IDP and budget with the aim of improving.

The 2019/20 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

1.6 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Performance Management, the municipality has to develop and implement a performance management system of which system must be constantly refined as the integrated planning process unfolds.
The Municipality intends to monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance and cascade it downwards to all levels. This will be done by appointing a service provider to assist in this process.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues

through each of the planning, budgeting, implementation and reporting stages. This area needs to be strengthened in order to improve service delivery.

1.7 Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The municipality has the following budget related policies:

- Supply Chain Management policy
- Asset Management Policy
- Credit Control and Debt Collection Policy
- Banking Policy
- Tariff Policy
- Property Rates Policy
- Virement Policy
- Creditors, Councillors and Payments Policy
- Petty cash policy
- Borrowing Policy
- EFT Policy
- Funding and Reserves Policy
- Long-Term Financial Planning Policy
- Policy on Planning and Approval of Capital Projects
-
- Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy
- SCM Process Turn-around Policy
- Commodity Based Procurement Policy
- Investment Policy
- Infrastructure Procurement and Delivery Management Policy
- Management of Accumulated Surplus/Deficit and Bad Debts Policy
- Payroll Management and Administration Policy
- Fleet Management Policy
- Write- off of irrecoverable Debts Policy

1.8 Overview of budget assumptions

1.8.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

1.8.2 General inflation outlook and its impact on the municipal activities

The following are the key factors that have been taken into consideration in the compilation of the 2019/20MTREF:

- National Government economic targets;
- The general inflationary outlook and the impact on the municipality's residents and businesses;
- The impact of municipal cost drivers;
- The impact of tariffs
- The increase in the cost of remuneration. The wage agreement SALGBC concluded with the municipal workers unions.
- Infrastructure backlogs

1.8.3 Collection rate for revenue services

The base assumption is that tariff for property rates will not increase as the municipality is currently doing valuation. The collection rate on arrear debt is very high and consumers are not paying. The municipality only collect rates and refuse.

1.8.4 Impact of national, provincial and local policies

Integration of service delivery between national, provincial, district and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Infrastructure development
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial, district and local objectives.

1.9 Overview of budget funding

1.9.1 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;

- Clear separation of capital and operating receipts from government, which also enables cash from ratepayers and other to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue.

Cash Backed Reserves/Accumulated Surplus Reconciliation

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences.

1.9.2 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against different measures that look at various aspects of the financial health of the municipality. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA.

1.9.2.1 Cash/cash equivalent position

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A positive cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

1.10 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
   Reporting to Provincial and National Treasury in electronic format was complied with on a monthly basis. Reporting is improving each and every year.

2. Internship programme
   The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions within Budget and Treasury and Internal Audit.

3. Budget and Treasury Office
   The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee
   An Audit Committee and performance audit committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the IDP and budget, and will be signed by the mayor thereafter.

6. Annual Report
   Annual report is compiled in terms of the MFMA and National Treasury guidelines.

7. Policies
   The municipality is currently reviewing all its policies and a workshop will be conducted for all councilors and employees before submission to council for adoption.